

# House File 679

HOUSE FILE \_\_\_\_\_  
BY COMMITTEE WAYS AND MEANS

(SUCCESSOR TO HF 399)  
(SUCCESSOR TO HSB 58)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to economic development by modifying the new jobs  
2 and income program and the enterprise zone program and  
3 providing a tax credit, and providing effective and  
4 retroactive applicability dates.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 HF 679  
7 tm/es/25

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1 1 Section 1. Section 15.330, Code 2003, is amended to read  
1 2 as follows:  
1 3 15.330 AGREEMENT == NONCOMPLIANCE == PENALTIES.  
1 4 1. A business or group of businesses shall enter into an  
1 5 agreement with the department specifying the requirements  
1 6 which must be met to satisfy the criteria of section 15.329.  
1 7 The department shall consult with the community during  
1 8 negotiations relating to the agreement. The agreement shall  
1 9 contain the following provisions:  
1 10 ~~1. a. If the business or group of businesses has not met~~  
1 11 ~~more than ninety percent of the job creation requirement in~~  
1 12 ~~section 15.329, subsection 1, paragraph "f", it shall pay a~~  
1 13 ~~percentage of the incentive received under section 15.334, or~~  
~~1 14 if the business or group of businesses does not receive the~~  
~~1 15 incentive under section 15.334, then under section 15.333 as~~  
1 16 follows:  
1 17 ~~a. (1) If the business or group of businesses has met~~  
1 18 ~~fifty percent or less of the requirement, the business or~~  
1 19 ~~group of businesses shall pay the same percentage in benefits~~  
1 20 ~~as the business or group of businesses failed to create in~~  
1 21 ~~jobs.~~  
1 22 ~~b. (2) If the business or group of businesses has met more~~  
1 23 ~~than fifty percent but not more than seventy-five percent of~~  
1 24 ~~the requirement, the business or group of businesses shall pay~~  
1 25 ~~one-half of the percentage in benefits as the business or~~  
1 26 ~~group of businesses failed to create in jobs.~~  
1 27 ~~c. (3) If the business or group of businesses has met more~~  
1 28 ~~than seventy-five percent but not more than ninety percent of~~  
1 29 ~~the requirement, the business or group of businesses shall pay~~  
1 30 ~~one quarter of the percentage in benefits as the business or~~  
1 31 ~~group of businesses failed to create in jobs.~~  
1 32 2. b. If a business or group of businesses does not meet  
1 33 the wage requirement of section 15.329, subsection 1, or any  
1 34 of the three criteria selected by the business or group of  
1 35 businesses under section 15.329, subsection 2, in any one  
2 1 year, it must meet that requirement in the following year or  
2 2 forfeit the incentives for that year.  
2 3 c. If a business or group of businesses approved to  
2 4 receive incentives under this part experiences a layoff within  
2 5 the state or closes any of its facilities within the state  
2 6 prior to receiving the incentives, the department may reduce  
2 7 or eliminate some or all of the incentives. If a business or  
2 8 group of businesses receives incentives under this part and  
2 9 experiences a layoff within the state or closes any of its  
2 10 facilities within the state, the business or group of  
2 11 businesses may be subject to repayment of some or all of the  
2 12 incentives received by the business or group of businesses.  
2 13 2. The department shall adopt rules for repayment of  
2 14 incentives by the business or group of businesses if the  
2 15 business or group of businesses has not met any of the  
2 16 requirements of this part.  
2 17 Sec. 2. NEW SECTION. 15.333B FRANCHISE TAX CREDITS.  
2 18 1. An eligible business may claim a franchise tax credit  
2 19 up to a maximum of ten percent of the new investment directly

2 20 related to new jobs created by the location or expansion of an  
2 21 eligible business under the program. Any credit in excess of  
2 22 the tax liability for the tax year may be credited to the tax  
2 23 liability for the following seven years or until depleted,  
2 24 whichever occurs earlier.

2 25 For purposes of this section, "new investment directly  
2 26 related to new jobs created by the location or expansion of an  
2 27 eligible business under the program" means the cost of  
2 28 machinery and equipment, as described in section 427A.1,  
2 29 subsection 1, paragraphs "e" and "j", purchased for use in the  
2 30 operation of the eligible business, the purchase price of  
2 31 which has been depreciated in accordance with generally  
2 32 accepted accounting principles, and the cost of improvements  
2 33 made to real property which is used in the operation of the  
2 34 eligible business.

2 35 For purposes of this section, the purchase price of real  
3 1 property and any buildings and structures located on the real  
3 2 property is considered a "new investment in the location or  
3 3 expansion of an eligible business". However, if within five  
3 4 years of purchase, the eligible business sells, disposes of,  
3 5 razes, or otherwise renders unusable all or a part of the  
3 6 land, buildings, or other existing structures for which a  
3 7 franchise tax credit was claimed under this section, the  
3 8 franchise tax liability of the eligible business for the year  
3 9 in which all or part of the property is sold, disposed of,  
3 10 razed, or otherwise rendered unusable shall be increased by  
3 11 one of the following amounts:

3 12 a. One hundred percent of the tax credit claimed under  
3 13 this section if the property ceases to be eligible for the tax  
3 14 credit within one year after being placed in service.

3 15 b. Eighty percent of the tax credit claimed under this  
3 16 section if the property ceases to be eligible for the tax  
3 17 credit within two years after being placed in service.

3 18 c. Sixty percent of the tax credit claimed under this  
3 19 section if the property ceases to be eligible for the tax  
3 20 credit within three years after being placed in service.

3 21 d. Forty percent of the tax credit claimed under this  
3 22 section if the property ceases to be eligible for the tax  
3 23 credit within four years after being placed in service.

3 24 e. Twenty percent of the tax credit claimed under this  
3 25 section if the property ceases to be eligible for the tax  
3 26 credit within five years after being placed in service.

3 27 2. An eligible business which has entered into an  
3 28 agreement under chapter 260E and which has increased its base  
3 29 employment level by at least ten percent within the time set  
3 30 in the agreement or, in the case of a business without a base  
3 31 employment level, adds new jobs within the time set in the  
3 32 agreement is entitled to a new jobs franchise tax credit for  
3 33 the tax year selected by the business. In determining if the  
3 34 business has increased its base employment level by ten  
3 35 percent or added new jobs, only the new jobs directly  
4 1 resulting from the project covered by the agreement and the  
4 2 new jobs directly related to those new jobs shall be counted.  
4 3 The amount of the credit is equal to the product of six  
4 4 percent of the taxable wages upon which an employer is  
4 5 required to contribute to the state unemployment compensation  
4 6 fund, as defined in section 96.19, subsection 37, times the  
4 7 number of new jobs existing in the tax year that directly  
4 8 result from the project covered by the agreement or new jobs  
4 9 that directly result from those new jobs. The tax year chosen  
4 10 by the business shall either begin or end during the period  
4 11 beginning with the date by which the project is to be  
4 12 completed under the agreement. Any credit in excess of the  
4 13 tax liability for the tax year may be credited to the tax  
4 14 liability for the following seven years or until depleted,  
4 15 whichever occurs earlier. For purposes of this subsection,  
4 16 "agreement", "new job", and "project" mean the same as defined  
4 17 in section 260E.2 and "base employment level" means the number  
4 18 of full-time jobs a business employs at the site which is  
4 19 covered by an agreement under chapter 260E on the date of that  
4 20 agreement.

4 21 Sec. 3. Section 15E.193B, subsection 4, Code 2003, is  
4 22 amended to read as follows:

4 23 4. The eligible housing business shall complete its  
4 24 building or rehabilitation within two years from the time the  
4 25 business begins construction on the single-family homes and  
4 26 dwelling units. The failure to complete construction or  
4 27 rehabilitation within two years shall result in the eligible  
4 28 housing business becoming ineligible and subject to the  
4 29 repayment requirements and penalties enumerated in subsection  
4 30 7. The department may extend the prescribed two-year

4 31 completion period if the department determines that completion  
4 32 within the two-year period is impossible or impractical as a  
4 33 result of a substantial loss caused by flood, fire,  
4 34 earthquake, storm, or other catastrophe. For purposes of this  
4 35 subsection, "substantial loss" means damage or destruction in  
5 1 an amount in excess of thirty percent of the project's  
5 2 expected eligible basis as set forth in the eligible housing  
5 3 business's application.

5 4 Sec. 4. Section 422.60, Code 2003, is amended by adding  
5 5 the following new subsection:  
5 6 NEW SUBSECTION. 7. The taxes imposed under this division  
5 7 shall be reduced by a franchise tax credit authorized pursuant  
5 8 to section 15.333B.

5 9 Sec. 5. Section 427B.17, subsection 5, unnumbered  
5 10 paragraph 2, Code 2003, is amended to read as follows:

5 11 Any electric power generating plant which operated during  
5 12 the preceding assessment year at a net capacity factor of more  
5 13 than twenty percent, shall not receive the benefits of this  
5 14 section or of ~~sections section 15.332 and 15.334.~~ For  
5 15 purposes of this section, "electric power generating plant"  
5 16 means any nameplate rated electric power generating plant, in  
5 17 which electric energy is produced from other forms of energy,  
5 18 including all taxable land, buildings, and equipment used in  
5 19 the production of such energy. "Net capacity factor" means  
5 20 net actual generation divided by the product of net maximum  
5 21 capacity times the number of hours the unit was in the active  
5 22 state during the assessment year. Upon commissioning, a unit  
5 23 is in the active state until it is decommissioned. "Net  
5 24 actual generation" means net electrical megawatt hours  
5 25 produced by the unit during the preceding assessment year.  
5 26 "Net maximum capacity" means the capacity the unit can sustain  
5 27 over a specified period when not restricted by ambient  
5 28 conditions or equipment deratings, minus the losses associated  
5 29 with station service or auxiliary loads.

5 30 Sec. 6. Sections 15.334 and 15.334A, Code 2003, are  
5 31 repealed.

5 32 Sec. 7. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.  
5 33 Sections 2 and 4 of this Act, relating to the franchise tax  
5 34 credit, being deemed of immediate importance, take effect May  
5 35 1, 2003, and, if approved by the governor after May 1, 2003,  
6 1 shall apply retroactively to May 1, 2003.

6 2 HF 679

6 3 tm/es/25